

Message Text

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ACTION EA-09

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TAGS: EAID, JA, KS

SUBJ: JAPANESE AID TO KOREA

REF: TOKYO 4484

SUMMARY. JAPAN'S LONG RANGE ECONOMIC COOPERATION POLICY TOWARDS KOREA WILL BE AMONG TOPICS AT UPCOMING MINISTERIAL. WITHIN GOJ, TACIT AGREEMENT HAS ALREADY BEEN REACHED TO CONTINUE OFFICIAL AID TO KOREA, BUT OVER SHORT TERM PROBLEM MAY EXIST IN ABSENCE OF MATURE PROJECTS SUITABLE FOR GOJ AID. DETAILED AID DISCUSSIONS WILL TAKE PLACE AT WORKING LEVEL. END SUMMARY.

1. FONOFF REP (SEZAKI, DEPUTY DIRECTOR, FIRST ECONOMIC COOPERATION DIVISION) TOLD EMBOFF AUGUST 19 THAT AMONG TOPICS TO BE DISCUSSED AT FORTHCOMING JAPAN-KOREA MINISTERIAL WILL BE JAPAN'S LONG TERM ECONOMIC COOPERATION POLICY TOWARDS KOREA. SEZAKI RECALLED THAT EARLIER MINISTERIAL MEETINGS HAD REACHED AGREEMENT TO PHASE OUT JAPANESE GOVERNMENT AID TO SOUTH KOREA AS JAPANESE PRIVATE CAPITAL FLOWS INCREASED AND NEED FOR OFFICIAL AID DIMINISHED. HOWEVER, OIL SHOCK, RECESSION, AND REDUCED JAPANESE PRIVATE CAPITAL FLOWS TO KOREA HAVE MADE APPARENT KOREA'S CONTINUED NEED FOR JAPANESE AID. RECENT KOREA DONORS' GROUP MEETING REACHED SIMILAR CON-

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NESE AID. RECENT KOREA DONORS' GROUP MEETING REACHED SIMILAR CON-

CLUSION TO EFFECT OFFICIAL AID FROM VARIED SOURCES WILL CONTINUE TO BE NEEDED. AS RESULT, QTE TACIT AGREEMENT UNQTE TO CONTINUE OFFICIAL AID PROGRAM TO KOREA HAS ALREADY BEEN REACHED WITHIN GOJ.

2. OTHER THAN LOHG RANGE POLICY, MINISTERIAL IS NOT EXPECTED TO DISCUSS PARTICULAR PROJECTS OR NEGOTIATE AID LEVELS. IN ACCORDANCE WITH EARLIER GOJ-ROK AGREEMENT, SUCH CONVERSATIONS WILL TAKE PLACE AT WORKING LEVELS. IT MAY BE THAT NEW AID REQUEST WILL BE SUBMITTED BY KOREAN SIDE AT WORKING LEVEL FOLLOWING SEPTEMBER MINISTERIAL. HOWEVER, EVEN THOUGH GOJ INTENDS TO CONTINUE OFFICIAL AID, PROBLEM EXISTS OVER NEAR TERM IN THAT AT PRESENT KOREA HAS ONLY ONE QTE MATURE PROJECT UNQTE ELEIGIBLE FOR GOJ AID: A RAILWAY PROJECT VALUED AT ABOUT \$11 MILLION. GOJ HAS NOT DECIDED APPROPRIATE LEVEL FOR CONTINUED OFFICIAL AID PROGRAM, BUT EVEN ASSUMING RELATIVELY HIGH LEVEL ABSENCE OF APPROPRIATE PROJECTS WILL CAUSE DELAYS IN ADDITIONAL COMMITMENTS AND DISBURSEMENTS.

3. INTERGOVERNMENTAL NOTE EXCHANGE FORMALLY COMMITTING TWO LOANS PLEDGED LAST APRIL (REFTTEL) ARE NOW EXPECTED TO BE EXCHANGED AUGUST 29. DELAY, ACCORDING TO SEZAKI, WAS CAUSED BY KOREAN INABILITY TO PRODUCE DETAILED INFO REQUIRED BY JAPANESE RE AGRICULTURAL DEVELOPMENT LOAN.
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